



# Department of Justice

FOR IMMEDIATE RELEASE  
TUESDAY, APRIL 8, 2003  
WWW.USDOJ.GOV

AT  
(202) 514-2007  
TDD (202) 514-1888

## **NEW YORK ADVERTISING EXECUTIVE PLEADS GUILTY TO ANTITRUST, FRAUD AND TAX CHARGES**

### ***Agrees to Serve between 63-78 Months in Prison***

WASHINGTON, D.C. -- Mitchell E. Mosallem, former executive vice president and director of graphic services at Grey Global Group Inc. (Grey), an advertising agency headquartered in Manhattan, pleaded guilty today to 11 antitrust, fraud, and tax charges, the Department of Justice announced.

Mosallem entered his guilty pleas before Judge Thomas P. Griesa in the U.S. District Court in Manhattan. The plea agreement, which is subject to court approval, recommends that Mosallem receive a sentence to serve between 63 and 78 months in prison.

Between 1990 and 2002, Mosallem oversaw Grey's 70-employee graphic services department, which managed the production of advertisements that appeared in printed media, such as magazines, newspapers, and billboards.

Mosallem was indicted on May 16, 2002, for conspiring to rig bids and allocate contracts for the supply of graphic services purchased by Grey on behalf of one of its clients from late 1994 until 2001, and for conspiring to defraud certain Grey clients in a phony billing scheme from 1991 until July 2000. On September 17, 2002, Mosallem was charged in a superseding indictment that included the two original counts and added three counts of conspiracy in connection with his receipt of kickbacks from vendors to Grey between 1990 and 2001, one count of conspiracy to defraud the Internal Revenue Service, and five counts of signing false tax returns. Mosallem's trial was scheduled to begin on April 14, 2003.

"Today's guilty plea sends a powerful message to corporate wrongdoers," said R. Hewitt Pate, Acting Assistant Attorney General in charge of the Department's Antitrust Division.

(more)

“This result represents another important success for the Antitrust Division’s New York Field Office, and another indication of our commitment to obtain substantial prison sentences for this type of criminal misconduct.”

Mosallem, who had been free on \$1.5 million bail, is the 11<sup>th</sup> defendant since September 2002 to be convicted in the Antitrust Division’s ongoing probe of the advertising and graphic supply industries.

On March 25, 2003, Haluk K. Ergulec, former owner of The Color Wheel Inc., a Manhattan supplier of graphic services, was sentenced to 37 months in prison and ordered to pay \$1.5 million in restitution. John Ghianni, a Mosallem co-defendant, is scheduled to go to trial on April 14, 2003. Two other co-defendants, Birj Deckmejian and John Steinmetz, are scheduled for trial on October 14, 2003.

According to the charges, Mosallem received kickbacks from three suppliers of graphic services to Grey, and failed to account for those kickbacks on his income tax returns. The kickbacks included cash, travel, clothing, and limousine services. In return for the kickbacks, Mosallem included the corrupt suppliers on Grey’s limited list of approved vendors, and ensured that those suppliers received a portion of the total amount of contracts for graphic services awarded by Grey.

Mosallem and others also conspired to rig bids and allocate contracts awarded by Grey to graphic services vendors for work performed on behalf of Brown & Williamson Tobacco Corp. (B&W), one of its clients. In order to secure the best price for its contracts, B&W required Grey to obtain three competitive bids before awarding certain contracts. The conspirators obtained intentionally high "cover" bids from vendors in order to make it appear to B&W that it was receiving the benefit of true competition, when, in fact, it was not.

In addition, Color Wheel and other conspirators provided substantial goods and services for the personal benefit of Mosallem and other employees and executives at Grey, including tickets to theater, sporting, and cultural events, as well as graphics items such as wedding invitations, cards, and brochures.

(more)

To recoup the costs of these items, Mosallem, Ergulec, and others agreed that Color Wheel would falsely inflate its bills for work contracted by Grey on behalf of, and ultimately charged to, its clients, thus fraudulently and secretly passing on the cost of those items to Grey's clients. In addition, on occasions where particular jobs for one Grey customer ran over budget, Mosallem allowed Color Wheel fraudulently to shift the over-budget amount onto jobs for a different Grey client, thus causing one Grey client to pay for work done for another client.

The bid-rigging charge, a violation of the Sherman Act, 15 U.S.C. § 1, carries a maximum penalty of three years' imprisonment and a \$350,000 fine. The fraud conspiracy charges, violations of 18 U.S.C. § 371, each carry a maximum penalty of five years' imprisonment, three years' supervised release, and a \$250,000 fine. Each of the counts of subscribing to false and fraudulent tax returns, in violation of 26 U.S.C. § 7206(1), carries a maximum penalty per count of three years in prison, one year of supervised release, and a \$100,000 fine, together with the cost of prosecution. The maximum fine on each count may be increased to twice the gain derived from the crime or twice the loss suffered by the victim of the crime, if either of those amounts is greater than the statutory maximum fine. In addition, Mosallem could be ordered to pay restitution to any victim for the full amount of that victim's loss.

Today's charges arose from an ongoing federal antitrust investigation of bid rigging, bribery, fraud, and tax-related offenses in the advertising and printing/graphics industries. The investigation is being conducted by the Antitrust Division's New York Field Office, with the assistance of the Federal Bureau of Investigation and the Internal Revenue Service Criminal Investigation Division.

Anyone with information concerning bid rigging, bribery, tax offenses, or fraud in the advertising or printing industries should contact the New York Field Office of the Antitrust Division at (212) 264-3611 or the New York Division of the FBI at (212) 384-3252.

###